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## DOCUMENTS, REPORTS AND LEGISLATION

### Industries and Commerce

From the United States Tariff Commission have been received:

*Tariff Acts Compared* (Washington, 1922, pp. 389). This is a compilation of the paragraphs of the recent House and Senate bills together with corresponding paragraphs of the previous acts of 1909 and 1913.

*Recent Tendencies in the Wool Trade with Special Reference to Their Tariff Aspects, 1920-1922* (pp. 49). This discusses the world surplus and its effect on prices; changes in normal price relations between grades; and the relative effect of different duties on the consumer.

Also, in Tariff Information Surveys, revised editions of *Household Articles of Cotton; Silk Wearing Apparel and Silk Small Wares; Heavy Leathers; Light Leathers (Group 1); and Surface-coated, Photographic, Cigarette and Miscellaneous Papers*.

Tariff Information Series—

No. 26, *Census of Dyes and Other Synthetic Organic Chemicals, 1921* (1922, pp. 173).

No. 27, *Emergency Tariff Act and Longstaple Cotton* (pp. 35.) This deals more particularly with the trade in Egyptian cotton.

No. 28, *Hides and Skins* (1922, pp. 28).

No. 29, *The Emergency Tariff and Its Effect on Cattle and Beef, Sheep and Mutton, Wool, Pork, and Miscellaneous Meats* (1922, pp. 40).

The letter from the Tariff Commission on *Operation of Rates in the Emergency Tariff Act* has been printed as Senate Document No. 224 (67 Cong., 2 Sess., pp. 142).

The Federal Trade Commission has published volume III of a *Report on the Grain Trade*, under the title of *Terminal Grain Marketing* (Washington, 1922, pp. 332). This deals with car-lot movement of grain, transportation and road facilities, warehousing and storage, merchandising in terminal markets, financing the grain trade, the insurance charges and scalping in the cash markets. Many forms and statistical tables are added. The Commission has also published the *Report on Lumber Manufacturers' Trade Associations*, incorporating the reports of January 10, February 18, June 9, 1921, and February 15, 1922 (pp. 150). This contains four parts: A preliminary survey of the Lumber Manufacturers' Trade Associations; Southern Pine Association of New Orleans; Douglas Fir Lumber Manufacturers' and Loggers' Associations; and Western Pine Manufacturers' Association of Portland, Oregon.

The Department of Commerce has issued in its Miscellaneous Series:

No. 112, *Volume of United States Trade, 1921, by Ports of Origin and Destination* (Washington, 1922, pp. 57).

No. 114, *Foreign Periodicals on Trade and Economic Conditions* (pp. 33). This is a serviceable list, many of the entries being classified by commodities with annotated comments describing the scope of the journal.

No. 115, *Trade of the United States with the World, 1920-1921*. Part I: *Imports* (pp. 130).

Four volumes of the detailed Report of the Joint Commission of Agricultural Inquiry, the first two of which have already been noted (AM. ECON. REV., June, 1922, p. 376) have now been published as H. R. 408, 67 Cong., 1 Sess. Part III (pp. 686) deals with transportation and freight rates. Part IV (pp. 266) is concerned with marketing and distribution. This volume contains a great many charts, illustrating the subjects of the Commission's inquiry.

Bull. 1083 of the federal Department of Agriculture deals with *Farm and Terminal Market Prices: Wheat, Corn, and Oats, 1920-1921*, by J. W. Strowbridge (September, 1922, pp. 58). There are maps showing production by states. Bull. 1068, by J. T. Sanders, is entitled *Farm Ownership and Tenancy in the Black Prairies of Texas*.

Some of the material prepared by the Bureau of Agricultural Economics and published in the *1921 Yearbook of the United States Department of Agriculture* is being reprinted in eleven *Yearbook Separates*. The following nine are now available for distribution:

No. 867, *Imports and Exports of Agricultural Products*.

No. 868, *Statistics of Grain Crops*.

No. 869, *Statistics of Crops Other than Grain Crops*.

No. 870, *Live Stock*.

No. 871, *Miscellaneous Agricultural Statistics*.

No. 872, *The Corn Crop*.

No. 873, *Wheat Production and Marketing*.

No. 877, *The Cotton Situation*.

No. 878, *A Graphic Summary of American Agriculture*.

The remaining two, No. 874, *Our Beef Supply*, and No. 876, *Cost Data for Farm Products*, are in press.

The Department of Agriculture has prepared a useful list of *Publications* issued by the Bureau of Agricultural Economics, including those issued by the Bureau of Markets prior to July, 1921, and those issued by the Bureau of Markets and Crop Estimates from July, 1921, to July, 1922 (pp. 9).

The Joint Hearings, representing the testimony of some fifty witnesses, before the Senate Committee on Commerce and the House Committee on the Merchant Marine act of 1920 have been printed in two volumes (Washington, 1922, pp. 12,059). These Hearings were held in April and May of this year. The majority views of the House Committee appear as Report No. 1112, under the title of *American Merchant Marine* (67 Cong., 2 Sess., June 16, 1922, pp. 35), and the views of the minority as Report No. 1112, part 2, under the title *The Ship Subsidy Bill* (67 Cong., 2 Sess., June 28, 1922, pp. 35).

The Hearings before a Subcommittee of the Senate Committee on Agriculture and Forestry on the proposal to amend Section 5 of the Cotton

Futures act and to prevent sale of cotton and grain in future markets have been printed (pp. 175). These Hearings were held during the first half of the current year. This same committee has also printed the Hearings on *Investigation of Organizations Engaged in Combating Legislation for the Relief of Agriculture* (pp. 324).

The Chamber of Commerce of Minneapolis has collected a series of illustrated articles on *The Nature and Functions of a Grain Exchange*, *The Flour Mills of Minneapolis*, *The Linseed Oil Industry*, and *Future Trading, Hedging and Speculation in Grain Exchanges*, prepared by John C. McHugh, Secretary of the Chamber. The Chamber also has for distribution other pamphlets bearing upon grain marketing, namely, *Question Book Regarding Present Grain Marketing System* (pp. 23), and *Handling the Farmers' Grain*, by F. R. Durant (pp. 31).

From the National Coal Association (Washington, D. C.) have been received a number of pamphlets as follows: *Statement of J. D. A. Morrow before the Committee on Labor of the House of Representatives, April 25, 1922*; *The Objections of Bituminous Coal Operators of the United States to Regulation of Business by Legislation, and Particularly to Senate Bill 1807, Introduced by Senator Frelinghuysen, are Fundamental*; *Transportation, the Problem of Soft Coal*; *The 1920 Soft Coal Shortage*.

The First National Bank of Boston is publishing a series of economic maps of the principal countries of the world under the general title *Markets of the World*. The first series of maps was issued in 1920; to this have been more recently added the United States and Canada series. The maps contain data showing population and are accompanied by text containing a considerable amount of statistical data relating to the several countries and states. This series is made up in loose-leaf form. The maps are clear and information is very conveniently arranged.

From the Bureau of Business Research (Professor Horace Secrist, Director) of Northwestern University School of Commerce have been received the following studies:

*Wholesale Price Movements of Paper in Chicago, January 1, 1913 to June 30, 1922*, by James Grantham (pp. 6).

*Stock Turnover in Retail Clothing Stores*, by Professor Secrist (pp. 10).

*Amounts Sold per Full-time Salesman in Retail Clothing Stores*, by Professor Secrist and Blanche L. Altman (pp. 14).

*The Control of Expenses and Profits in the Retail Merchandising of Clothing*, by Professor Secrist (pp. 14). (Chicago, price 50 cents each.)

## Corporations

THE REPORT OF THE JOINT COMMISSION OF AGRICULTURAL INQUIRY ON TRANSPORTATION. The Joint Commission was created by a resolution adopted by the United States Senate on May 31, 1921, and by the House of Representatives on June 7, 1921, for the purpose of investigating the causes for the agricultural depression. The Committee divided its inquiry

into four major subjects—the condition of agriculture, credit, transportation, and marketing and distribution. The volume before us on *Transportation* (Part III of Report of Joint Commission of Agricultural Inquiry, 67 Cong., 1 Sess., Rep. 408, part 3, Washington, Gov. Prtg. Office, 1922, pp. 686) results from an exhaustive investigation. It is stated that the collection and assembling of the data in this report represents the combined efforts of over 1,600 people and the circulation of more than 250,000 questionnaires. The scope of the report may be seen from the following chapter headings: I. Economic Relationship of Agriculture, Industry, and Transportation; II. Transportation by Steam Railroads; III. Railroad Management and Organization; IV. Railway Finance; V. Railroad Express Companies; VI. Parcel Post; VII. Electric Railways; VIII. Highway Transportation; IX. Transportation by Water; X. Federal and State Regulation of Transportation; XI. Foreign Railway System; and XII. History of Railway Transportation. An attempt was thus made to review the transportation system of the United States as a whole. The Commission was to report in ninety days, but the time was subsequently extended to April 15, 1922.

Viewed as an investigation, the chief contribution lies in chapter I, which contains a collection of data showing the transportation charges in relation to the market prices of a selected list of commodities. The report first makes an estimate of the relation between freight revenue and the value of all commodities transported. The total value at point of origin of the commodities carried in 1914 is estimated on the basis of census reports at \$33,298,000,000, the freight charges for 1914 being about 6.05 per cent of this amount. The application of tonnage and revenue figures from railroad reports to values found from census reports of commodities produced, with an estimated allowance for goods consumed locally, is open to serious question. It may be noted that in a letter to the chairman of the House Committee on Interstate and Foreign Commerce (Hearings on H. R. 4378, 1919, vol. 2, p. 2426) Mr. J. Kruttschnitt submitted an estimate by a different process of the value of goods transported in 1914 by freight of \$1,482,000,000, of which sum the freight revenue was 3.6 per cent. These two estimates are difficult to check because of the large amount of miscellaneous tonnage to which no value per ton can be correctly assigned.

However, the chief discussion is in regard to the charges and value of special commodities. An analysis is given of 9,476 cars of fresh fruits and vegetables handled in eastern cities between September, 1920, and July, 1921. The average haul was 1,400 miles. Of the wholesale selling price at destination the shipper received 60 per cent, transportation charges amount to 32 per cent, and taxes, handling, and profits of distribution, constituted the remaining 8 per cent. The percentage absorbed by trans-

portation varied widely for various classes of fruits and vegetables, the percentage for barreled apples being shown as 11.65 and for Texas cabbage as 79.23 per cent. Information regarding prices and freight rates is also given for the following articles: grain, cotton, livestock, wool, butter, cheese, condensed milk, poultry, eggs, fertilizer, agricultural implements, ore, iron and steel, coal, lumber, shingles, paper, petroleum products, cement, hollow tile, boots, shoes, dry goods, and cotton piece goods.

What conclusions are to be drawn from such facts regarding freight rates and market prices? It is shown that on Texas cabbage the freight rate to Chicago is much greater than the price received by the farmer while "the amount of freight in the average purchase of dry goods is so small that it is difficult to show it." It further appears that tremendous fluctuations in the percentage take place within a year owing to fluctuations in market prices. The Joint Committee of Agricultural Inquiry draws the general conclusion that "greater consideration should be given in the future by public rate-making authorities and by railroads in the making of transportation rates to the relative value of commodities and existing and prospective economic conditions."

This recommendation is not very definite. What is implied by "greater consideration"? Some consideration has always been given to the relative value of commodities. If it means anything it must mean that rate makers should follow the market fluctuations in the prices of coal, wheat, and other commodities, and make rate adjustments accordingly. In fact, in another place (p. 404) the report recommends that the Commission keep up currently statistics showing the relation of prices of commodities and freight rates. Such a recommendation as to the basis of rate making may well be challenged. There is no evidence in the report that the probable consequences of such a policy were analyzed. It is surprising that in a volume which was made to include so many chapters remotely related to the condition of agriculture, none was included on the theory of transportation. Such a chapter might have indicated that transportation is a productive industry requiring labor and capital. Transportation produces a part of the value of the Texas cabbage sold in Chicago just as truly as does agriculture. Freight charges are not exactions to be remitted when the shippers feel they cannot pay them. They are the prices for services. That price should be reasonable at all times. Reasonable rates are such that in the aggregate they leave a net return sufficient to attract capital, and such that each class of commodities carried contributes to the necessary aggregate revenues in proportion to the expense occasioned, so far as this can be apportioned, the unapportionable outgo being distributed in accordance with the normal value of the commodities. To attempt to follow temporary fluctuations in market values would introduce instability and confusion into the rate structure and would retard business enterprise

more than it would help it. As the Interstate Commerce Commission said in a recent opinion: "The needs of commerce cannot be met if rates are to fluctuate with market prices of commodities" (*Reduced Rates*, 1922, 68 I. C. C. 676, 734.)

It is impossible, in this review, to take up all of the conclusions. The introductory summary lists 31 recommendations and 17 findings. But there are numerous other recommendations or findings scattered throughout the volume which are not included in the summary.

Chapter 2 is a review of data relating to the property investment, traffic, car and terminal facilities, and expenditures of steam roads. There is an illuminating discussion of the car service problem with the recommendation that a comprehensive system for the control of freight car equipment be adopted. The general conclusion is reached that with the exception of terminal facilities and the supply of freight car equipment, the present facilities of the steam roads will, with increased operating efficiency, meet the present needs for transportation.

Chapter 3, which covers only three pages, was evidently intended to take up the question of operating efficiency. It is stated that it was impossible for the Commission "to make such an examination and analysis of the operation of each individual railroad as would permit arriving at conclusions or making suggestions with respect to the efficiency of each individual line." Chapter 4 is a review of the elements of railroad finance. It states that the Transportation act as a whole is "a most valuable piece of constructive legislation and gives promise of working out to the great benefit of the country."

Chapters 5 to 9 inclusive are convenient collections of data on the subjects named but do not call for special comment. Chapter 10 gives a succinct review of the laws relating to federal regulation and describes the organization of the Interstate Commerce Commission. The report expresses the view that regional offices of the Commission should be established as contributing to the convenience of shippers, to a better coördination of interstate and intrastate rates, and to a more thorough understanding of the relationship between rates and local conditions. It is not clear just what is recommended. Does a "regional office" mean merely a branch office, or a regional commission? A fuller discussion of this matter will be found in the testimony of Mr. E. E. Clark, then chairman of the Interstate Commerce Commission, in Hearings before the Committee on Interstate and Foreign Commerce on H. R. 4378 (vol. III, pp. 2894-2896), in 1919. There is also a recommendation that an agency be created in the Interstate Commerce Commission to secure and correlate statistical and other information with reference to the related activities—transportation, trade, industry, and commerce. It is not made clear what is meant by correlation of the information. The reprint of statistics now published by other branches of the government

might be vetoed by those who are trying to cut down government expenses.

The chapter also recommends a central control of freight car supply and increased efficiency in the operation of freight terminals. It further recommends or finds that railroad consolidation should not be compulsory, that transcontinental rates may be lower to Pacific coast terminals than to intermediate points, that a "continued arbitration body" multiplies rather than minimizes labor disputes, that the respective authorities of the Interstate Commerce Commission and Shipping Board should be reconciled by Congress, that present full crew laws need modification, that the trends incident to motor transportation should be studied, that the War Department be directed to report on proposed waterway improvements before they are adopted, that regulation of rates on coastwise traffic is not feasible or necessary at present, that the American merchant marine cannot be maintained on a proper basis without some sort of government aid, and that Panama Canal tolls should be based upon the cost of operation and the value of the service rendered. With such a variety of topics considered, a thorough discussion is not to be looked for. It is useful, however, to have a mere catalogue of present-day transportation problems.

Chapter 11 shows that transportation throughout the world has been affected by conditions created by the World War. The report ventures the opinion that state-owned railroads have not recovered from the effects of the war or met the economic dislocations with greater effectiveness than those privately owned and operated. The facts cited do not indicate just what effect public ownership and private ownership respectively had in the recovery from war dislocations. Certainly private railroads received government aid during and after the war. For much of the material in the historical sketch of transportation, acknowledgment of indebtedness is made to *When Railroads Were New* by Charles Frederick Carter, and Henry V. Poor's *Sketch of the Rise and Progress of Internal Improvements*.

The volume as a whole, with its variety of data and well-conceived charts, is a useful compilation for students on transportation. Teachers might well use it as a supplementary text in a course on transportation.

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The Library of the Bureau of Railway Economics has issued in mimeographed form an elaborate list of references to literature relating to the Union Pacific System (Aug. 15, 1922, pp. 298). The list of authors referred to numbers over 600. The titles are arranged, first, by the name of the railroads, and, second, under each road in chronological order. An attempt is made to indicate the libraries where the books and articles included in the list may be consulted.

The following reports relating to corporations and public utilities have been received:



*Corporation Laws of State of Connecticut, Revised November 1, 1921* (Hartford, 1921, pp. 108).

*Thirteenth Annual Report of the Public Service Commission for the First District of the State of New York, for the Year Ended December 31, 1919.* Vol 1, *Report and Appendix* (Albany, pp. 358).

*Forty-third Annual Report of the Railroad Commission of South Carolina, 1921* (Columbia, 1922, pp. 242).

*General Corporation Laws of West Virginia, 1921* (Charleston, pp. 131).

*The Public Service Commission, State of West Virginia, Seventh—Eighth Annual Reports* (Charleston, pp. 946).

The Bell Telephone Securities Company has prepared a pamphlet on *Bell Telephone Securities* (New York, May 1, 1922, pp. 51). This contains reference tables and descriptions for the use of brokers and investment houses with an introductory statement of the organization and financing of the American Telephone and Telegraph Company and associated companies.

## Labor

The federal Bureau of Labor Statistics has issued:

No. 296, *Wholesale Prices, 1890 to 1920* (Washington, June, 1922, pp. 247).

No. 298, *Causes and Prevention of Accidents in the Iron and Steel Industry, 1910-1919*, by Lucian W. Chaney (June, 1922, pp. 398). Contains many interesting charts showing fluctuations during the period under consideration.

No. 300, *Retail Prices, 1913 to December, 1920* (May, 1922, pp. 217).

No. 304, *Proceedings of the Eighth Annual Meeting of the International Association of Industrial Accident Boards and Commissions, held at Chicago, September, 1921* (Aug., 1922, pp. 254).

No. 305, *Wages and Hours of Labor in the Iron and Steel Industry: 1907 to 1920* (July, 1922, pp. 201).

No. 316, *Hours and Earnings in Anthracite and Bituminous Coal Mining* (July, 1922, pp. 63). The data for anthracite are for date January, 1922; and for bituminous, the winter of 1921-1922.

The National Personnel Association (20 Vesey Street, New York) announces that it has for sale a series of publications formerly issued by the National Association of Corporation Training, which hitherto has not been available for purchase. In the "Confidential Report Service" are to be noted: No. 1, *An Initial Survey of the Problem of Labor Turnover* (price, 50c); No. 2, *An Initial Survey of the Present Status of Business Correspondence* (50c); No. 3, *A Survey of Some of the Industrial-Educational Problems of Reconstruction* (25c); No. 4, *A Preliminary Survey of the Problem of Representation in Industry* (\$2); No. 5, *Bonus Plans and Other Schemes for Insuring Satisfactory Punctuality and Attendance Records* (\$3); No. 6, *Methods of Transfer and Promotion in Business Organ-*

izations (\$1); No. 7, *Employee Stock-Ownership Plans* (\$5). In the "Special Report Service": No. 1, *Trade Apprenticeship Schools* (\$1); No. 2, *Office Work Schools* (\$1); No. 3, *Methods of Industrial Education* (50c); No. 4, *Hygiene and Sanitation for the Worker* (\$1); No. 5, *A Survey of the Housing Problem* (50c); No. 6, *Employee Insurance* (\$2.50); No. 7, *Business Suggestions from Employees* (\$4.50). This Association has also recently issued Special Reports No. 1, *Pensions for Industrial and Commercial Employees* (Aug., 1922, pp. 22), and No. 2, *Disseminating Information among Employees* (Aug., 1922, pp. 8).

The *Decisions of the United States Railroad Labor Board with Addenda and Interpretations, 1921*, have been collected and printed in a single volume (Chicago, 1922, pp. 1007). The volume contains a cumulative index-digest.

The American Smelting and Refining Company has issued for information of stockholders several pamphlets dealing with "Improved Industrial Relations." Among the topics considered are *Accident Prevention, Pensions and Welfare*, and *Raising Output and Reducing Costs*.

The following public documents relating to labor questions have been received:

*Labor Laws of the State of California, 1921* (Sacramento, 1922, pp. 292).

*Second Annual Report of the Court of Industrial Relations of the State of Kansas, 1921* (Topeka, 1922, pp. 107).

*Thirtieth Annual Report of the Maryland State Board of Labor and Statistics, 1921* (Baltimore, pp. 383).

*New York State Labor Law, with Amendments, Additions and Annotations to August 1, 1922* (Albany, 1922, pp. 143).

*New York State Miscellaneous Labor Laws, with Amendments, Additions and Annotations to August 1, 1922* (Albany, 1922, pp. 165).

## Money, Prices, Credit, and Banking

THE PRESENT BRANCH BANKING CONTROVERSY. Branch banking is a phase of American banking which has at various times in the history of the United States assumed considerable importance. During the past decade branch banks or branch offices have been opened by state banks in various states. The competition thus introduced not only between state banks but of the state banks with the national banks has been very keen. Under our national banking laws and the rulings of the Comptroller of the Currency, it has been generally held that national banks were prohibited from establishing branches.

In those few instances where national banks have branches, they have been established under special rulings or under authority of an act of Congress which permits a national bank to purchase a state bank and operate such branches as the state institution may already have established.

The question is now one of very active discussion among American bankers, and at the recent annual meeting of the American Bankers Association

resolutions were passed condemning the policy of branch banking either by state or by national banks. The resolution stated: "We regard branch banking or the establishment of additional offices by banks as detrimental to the best interests of the people of the United States. Branch banking is contrary to public policy, violates the basic principles of our government, and concentrates the credit of the nation and the power of money in the hands of a few."

In addition to the legalized branches of both state and national banks now existing, there have developed in certain sections of the country chains of banks; although not openly a system of branch banks, they actually constitute to all intents and purposes a branch banking system. Such chain bank systems exist in many parts of the middle west where the opposition to branch banking is particularly strong. Banking of this type has all the appearance of independent banking, but actually, through a community of interest or common ownership, it constitutes a variety of branch banking which from many points of view is the least desirable of all branch banking systems because of the hidden responsibility of such ostensibly independent banks.

There is great diversity in the banking laws of the various states and much of the present agitation arose from the fear on the part of state banks, especially in the western states, that national banks as well as large state banks in time would open branches in various parts of the state. Such banks feared the competition of the national banks and, on the other hand, national banks in many states have been confronted with the competition introduced in many cities and in a few states by the branches of state banks.

Because this subject is comparatively new to most American bankers there exists considerable misinformation on the subject. Prejudice, sentiment, and imagined evil have dominated much of the discussion that has centered around this question. To some people branch banking has meant a system of banking such as that which exists in many of the European countries and Canada. The extreme types of the system rather than possible modifications to meet the existing needs of American business have been pictured by those opposing the idea. A study of the situation in the light of the actual facts that have developed from this controversy shows that those favoring the branch banking idea in this country have had in mind an entirely different conception from that system which is in vogue in many foreign countries. A careful analysis of the motive behind the present movement on the part of national banks to obtain the branch privilege shows that it is not a movement for a state or nation-wide system, but for the right to establish additional offices in the local community of the parent institutions. Such a branch banking system is an entirely different thing, both in its fundamental theory and in its practical operation, from the branch banking systems of Europe or the chain banking system that already exists.

*A Survey of State Banking Laws with Reference to Branch Banking*

The following study of the banking laws of the various states in the union with respect to branch banking shows what a wide diversity exists not only as to the laws but as to policy. In a general way, the states can be grouped as follows with regard to the question of branch banking.

Group I. States permitting branch banking.

- (a) Branches permitted in cities where main office is located: New York, Maine, Michigan, and Ohio.
- (b) States permitting state-wide branch banking: Massachusetts, Oregon (conditional), North Carolina, Delaware, Rhode Island, Pennsylvania, Louisiana, Tennessee, Mississippi, Arizona, California, Georgia, Virginia (\$25,000 capital or more), South Carolina, Wyoming (by implication).

Group II. States prohibiting branch banking, but having some branches that were established either before the law prohibiting them was passed, or by special legislation: Washington, Wisconsin, New Jersey, Florida, Alabama, Indiana, Arkansas, Maryland (no special statute permitting branches).

Group III. States absolutely prohibiting branch banking and in which no banks have branches: Kentucky, New Hampshire, North Dakota, Idaho, Montana, Illinois, Colorado, New Mexico, Vermont, Minnesota, West Virginia, Nebraska, Iowa, Kansas, Texas, Connecticut, Oklahoma, South Dakota, Utah, Nevada, and Missouri.

Or, to present the same story from another point of view, the states might be grouped as follows:

1. *Seventeen states which permit branch banking*: Arizona, California, Delaware, Georgia, Louisiana (banks, savings banks and trust companies having paid-in capital and surplus of one million dollars or over), Maine (permitted as to trust companies), Massachusetts (permitted as to trust companies), Mississippi, New York, North Carolina, Ohio, Pennsylvania, Rhode Island (permitted as to trust companies), South Carolina, Tennessee, Virginia, Wyoming.
2. *Seventeen states which have no specific provision*: Arkansas<sup>1</sup>, District of Columbia, Florida<sup>1</sup>, Illinois, Iowa, Kansas, Kentucky<sup>2</sup>, Maryland<sup>1</sup>, Michigan<sup>1</sup>, Minnesota, Montana<sup>1</sup>, Nebraska, Nevada, New Jersey (prohibited as to trust companies—no provision as to banks), Oklahoma, Vermont, West Virginia.
3. *Fifteen states which prohibit branch banking*: Alabama, Colorado, Connecticut, Idaho, Indiana, Missouri, New Hampshire, New Mexico, North Dakota (by implication), Oregon, South Dakota (by implication), Texas, Utah, Washington, Wisconsin.

On the basis of the foregoing survey, it is patent that we do not have in the United States anything like a uniform policy with respect to branch banking. The contention of some of the opponents of this branch banking idea, that such a system is un-American, is obviously beside the point. We

<sup>1</sup>Have some branch banks in state, established under special circumstances.

<sup>2</sup>Banking commissioner has given Liberty Insurance Bank of Louisville right to open offices, to receive deposits, etc., when national banks in Kentucky inaugurate such a policy.

have national banks with branches and national banks without branches, depending in part upon the particular legislation of the state and congress, as well as the peculiar business development of the community. Likewise we have some state banks with branches and some without, depending again upon particular state legislation and commercial conditions. Obviously there exists no basis for the assertion that the proposal to establish branch banks is a departure from a long-established system of banking. The American banking system is very complex and diverse. In this it is not different from other branches of business. Banking, like business in general, must be responsive to change in industrial conditions. No single business enterprise has ever yet assumed a fixed form and continued unchanged for any considerable period of time. "Abandoning the faith and practice of the Fathers" has always been an appeal to the emotions and has been brought forth usually either when facts were not available or when there was an unwillingness to recognize them. Any one at all familiar with banking history in the United States knows quite well that it has never been characterized by uniformity. We have experimented, as is the practice of all new countries, with many kinds of banking systems, as well as with various types of business organization. If we are to progress in the future as we have in the past, it is safe to assert that we are not through with this experimentation. A static condition of an individual, a business, or a nation always argues that a period of growth and progress has come to a close.

### *Objections to an Extension of Branch Banking*

Opposition to the branch banking idea has been very vigorous in certain quarters. Chief among the objections that have been raised has been the fear that a branch banking system will lead ultimately to too great a centralization of banking funds. The old fear of playing into the hands of a "money power" has again arisen. It is rather interesting in this connection to point out some of the fallacies connected with this contention. To the so-called money power there has always been ascribed the power to control the interest rate. The extent to which the price of capital is determined by the interplay of many economic forces and not by the whims of any group or clique has often been shown in the past and is well illustrated by existing conditions, yet the old fallacious ideas still persist. Unfortunately, the mobility and true character of wealth is not as well understood as it should be. Many people apparently are not aware of the fact that wealth must, at all times, be productively employed if it is to be of any lasting benefit to those who temporarily control it. Goods can be profitably produced only when they meet the needs of society. The value of the capital fund existing in a country is determined by the demands of society and not by the will of those who control the capital. The idea that capital

funds can be manipulated in such a way as to create artificially a shortage or abundance to the benefit of a particular class, is entirely erroneous. The very permanence of the capital fund is dependent upon its continued productive utilization. There exists no middle ground. In the light of these facts, raising a hue and cry over the possibility of creating a money power through a branch banking system illustrates the fallacy of some of these popular notions. As a matter of fact, a branch banking system would be more likely to benefit the masses and reduce the advantage of the wealthy rather than to injure them, since the more easily capital can flow from one part of the country to another and from one part of a community to another in response to opportunities for its productive uses, the greater the benefit, in all probability, that would accrue to the community. This would produce a uniform interest rate based upon the total capital fund in relation to the total demand. It is the barriers that are set up to the free flow of capital from one community to another that act as a handicap to production and paralyze industry, and create abnormal profits for capital. Money monopoly is possible only in restricted areas; it is impossible if all the available funds of the country are available equally in all parts of the country.

#### *Underlying Factors Creating Present Demand for Branch Banks*

As was earlier pointed out, the present demand for the right to establish branch banks has come from the large cities. Our federal reserve system, through a system of interdistrict borrowing, has created a mobility in our banking facilities that admirably meets the needs of the country. This federally controlled branch banking system has eliminated the old obstacles to the free flow of funds from one part of the country to another, and the present demand for branch banking has, as a consequence, not come from any desire to establish state-wide or country-wide branch banking. It has come about rather as a result of community needs within certain restricted commercial areas, especially in the rapidly growing metropolitan areas.

With the quick growth of our cities to the point where they now cover a vast area, the banking problem has become difficult, not only for the banker but for the business man as well. Business establishments that were originally in the older industrial centers have been compelled to move to other districts in order that their growth be not restricted. As a consequence the distances between them and their banking connections have increased to a point where their old banking connection is, in many cases, inconvenient. This shifting of the industrial centers in our large cities has created a new banking problem, which, unless relief is granted, will find financial institutions penalized by arbitrary legal restrictions.

There exists no good reason for preventing a financial institution from expanding to meet the needs of its customers as a result of sound industrial progress any more than for legally restricting the growth of an industrial

establishment or its efforts to meet the industrial needs of the nation. Fifty years ago the industrial centers in our large cities were confined usually to a single area, making it entirely feasible and possible for an urban bank to supply the needs of industry from a single location. Conditions have now changed and efforts are being made to meet the new situation. There is nothing monopolistic or reprehensible in this desire to be in a position to give adequate service to their old customers who have been forced to move to other parts of the city. These are the important and underlying factors that have been active in making city banks seek to obtain permission that will enable their institutions to render service capable of meeting the needs of industry in their local community.

It is sometimes argued that under a system of branch banking, money is taken out of the community and not reinvested there. Such an argument is fallacious, on the grounds of both practice and theory. It is a relic of medieval thinking when social and business life centered around small restricted neighborhoods and each community was always on guard lest something might be taken from it and enrich or benefit some other isolated social and business group. If money exists in a community, the presence of branch banks and other savings institutions, through their continual appeal to save, increases the amounts which are saved by the people in the community and which are always available to them; in the absence of such banks and savings institutions these savings would usually be dissipated. One of the chief purposes and justifications of branch banks in urban communities is the urge and impetus they give to saving. In other words, the savings bank feature of branch banking is almost always more important than the purely commercial banking feature. So far as the neighborhood's money not being reinvested in the community is concerned, it should be pointed out that both the branch banks and other loaning institutions are always on the lookout for good investments. The particular neighborhood having a branch bank, like any other neighborhood, enjoys that command of funds from the branch bank and other investing institutions which its credit and opportunities warrant.

As a matter of fact the funds now gathered into neighborhood or country banks are not, as a whole, reinvested in the particular community from which the funds are secured. Such neighborhood and country banks not only keep a considerable amount of their funds with their city correspondents, but also buy bonds of business corporations and commercial paper of concerns far distant. It is idle, therefore, to argue that a neighborhood or a country bank immediately turns back to the people of the community all the surplus funds which are available for investment. These banks, like any other banks, are seeking the very best possible investment for their funds. Nor is there in a system of branch banks any less intimate and frequent contact between the people of the community and the bank.

The success of the branch depends upon the ability of the manager of his force to render service to the people of the neighborhood, and there is every reason for the employees of the branch bank to render the most efficient and courteous service to all the actual and potential patrons of the bank, as well as to take an interest in the business and life of the people of the neighborhood.

The management of the branch banks as compared with individual banks is not one about which dogmatism is warranted. However, it is generally admitted that the large city banks which would be interested in establishing city branches or which have done so have built up a very efficient personnel and have installed the best system and organization in their business.

W. F. GEPHART.

*First National Bank in St. Louis.*

Compilations have been made of state banking laws as follows: *Banking Laws of Arizona Enacted during the First Special Session of the Fifth Legislature* (Phoenix, Superintendent of Banks, pp. 53); *Combined Banking Laws of the State of Alabama* (Montgomery, Jan., 1922, pp. 45); *State Banking Laws of West Virginia, 1921* (Charleston, State Banking Commissioner, pp. 167).

The following state documents relating to banking have been received: *Statement Showing Total Resources and Liabilities of Illinois State Banks at the Close of Business, June 30, 1922* (Springfield, pp. 743).

*Ninth Annual Report of the Banking Commissioner of Kentucky, 1920-1921*, (Frankfort, pp. 160).

*Sixty-fifth Annual Report of the Bank Commission of Maine, 1921-1922* (Augusta, 1922, pp. 32).

*Twelfth Annual Report of the Bank Commissioner of the State of Maryland, Showing the Condition of State Banks, Trust Companies and Savings Institutions* (Baltimore, 1922, pp. 153).

*Annual Report of the Commissioner of Banking and Insurance of New Jersey Relative to Savings Banks, Trust Companies and State Banks of Discount and Deposit, 1921* (Trenton, 1922, pp. 49).

*Annual Report of the Superintendent of Banks of New York State Relative to Savings and Loan Associations, Land Bank of the State of New York and Credit Unions for 1920* (Albany, 1921, pp. 478).

*Fifteenth Annual Report of the Bank Commissioner Showing the Condition of State Banking Institutions as of June 30, 1922* (Providence, 1922, pp. 236).

The Savings Bank Division of the American Bankers Association (New York) has reprinted *The Savings Bank Business*, by L. D. Woodworth, originally published in the *Savings Bank Journal* (New York), November, 1922 (pp. 8); and *New Records in School Savings Banking, Including Third Annual Report on Systems Throughout the United States with Honor Roll for 1921-1922* (pp. 11).



The Federal Reserve Board has issued a pamphlet, *Questionnaire on Exercise of Trust Powers by National Banks* (Washington, 1922, pp. 23). This sums up the replies of 890 banks which had established trust companies, to questions relating to the process of advertising for trust business, and success in the operation of a trust department.

The Treasury Department has changed the form of the monthly *Circulation Statement*, beginning with July 1, 1922, in order to show more accurately the distribution of the stock of money in the United States. "In the new form of statement only money outside of the Treasury and the Federal reserve banks is included in circulation. In previous circulation statements, money held by the Federal reserve banks (other than money held by or for Federal reserve agents, and Federal reserve notes held by the issuing banks in their own vaults) was included in the amount in circulation. Under that method of computing money in circulation transfers of gold between a Federal reserve agent resulted in an apparent change in the amount of money in circulation, and there are instances where the Circulation Statement owing to such transfers showed a decline in money in circulation when, as a matter of fact, there had been an actual increase, and an increase when in fact there had been a decrease. The new form shows a per capita circulation on July 1, 1922, of \$39.87, whereas under the form of statement heretofore used it would have been \$49.17."

The Federal Farm Loan Board has prepared the *Farm Loan Program* (Washington, June, 1922, Circular no. 5, pp. 13), where will be found "in brief form, answers to the questions most frequently asked of the act."

The Service Department of the First National Bank in St. Louis (with which Professor W. F. Gephart is associated as vice-president) in a pamphlet, *Recent Developments in Commercial Banking Policy* (St. Louis, September, 1922, pp. 8), has made an interesting study of the growth of bank investments and securities during the past two years as compared with holdings of commercial paper. According to this analysis, while prices have declined 40 per cent since May, 1920, and the fiscal volume of goods produced and manufactured has declined about 10 per cent, banking resources declined only about 5 per cent. This has produced a situation whereby banks have a surplus of loanable funds. "With the lower price level and the small volume of goods, industry has not required the same relative amount of working capital in proportion to present banking facilities." As a result, the banks have placed more of their funds in long-time investments. Between 1911 and 1913, state banks had on an average from 13 to 16 cents in such investments for every dollar in loans and discounts. On March 14, 1922, they had 67.1 cents in these long-time investments for each dollar in loans and discounts. For all banks, including national, the increase was from 37.1 to 53.4 cents. The recent change in New York City is even more striking. From February, 1921, taking into account only the commercial loans, the New York banks had on an average about 31.2 cents in investments for every dollar in commercial loans and discounts. On a basis of total loan and discount items, including stockbrokers'

loans, they had about 23 cents in investments for each dollar of loans and discounts. In August of this year these respective ratios had increased to 80 cents and 45 cents.

## Public Finance

The report of the Director of the Bureau of the Budget on the subject of *Economies and Savings in Governmental Business* has appeared under date of May 8, 1922 (Washington, pp. 93).

The United States Internal Revenue Bureau has issued the 1922 edition of Regulations 62, relating to the *Income Tax and War Profits and Excess Profits Tax under the Revenue Act of 1921* (Washington, 1922, pp. 420).

Students of current federal finance should note that the *Internal Revenue Bulletin* supersedes the *Income Tax* and *Sales Tax* bulletins previously published by the Bureau of Internal Revenue. This series consists of weekly bulletins of income, sales, capital-stock, estate, child-labor, and miscellaneous tax rulings. Bi-monthly digests are printed under separate cover and cumulate during the year. Subscription for this service is \$2 per annum and should be made at the office of the Superintendent of Documents, Government Printing Office, Washington, D. C.

The Department of Finance of the government of the Philippine Islands has issued the *Annual Report of the Insular Collector of Customs for the Fiscal Year Ended December 31, 1921* (Manila, 1922, pp. 320).

There has also been received the *Report of the Dominican Customs Receivership under the American-Dominican Convention of 1907, for 1921* (Washington, 1922, pp. 103).

The Pennsylvania State Chamber of Commerce (Harrisburg) has made a study of *State Budget Systems*. This includes a budget plan for Pennsylvania and a description of Pennsylvania's appropriation methods as well as budget systems in different states. It is noted that there are four types of state budgets; the executive budget, administrative budget systems, administrative-legislative budget systems, and the legislative budget system. Concise information is given as to the practice in different states (pp. 120).

The following tax reports and documents have been received:

*Inheritance Tax Act of California, 1921* (State Controller, Sacramento, 1922, pp. 175).

*Proceedings of the Fifth and Sixth Annual Conferences of the Inheritance Tax Appraisers of California* (Sacramento, 1922, pp. 140).

*Revenue Law of Assessment and Taxation of Iowa, July 4, 1921* (Auditor of State, Des Moines, pp. 104).

*Revised Instructions to be Observed in the Assessment and Equalization of Property in Kansas, Revised December, 1921* (Topeka, 1922, pp. 111).

*Fourth Annual Report of the Kentucky State Tax Commission, 1921* (Frankfort, pp. 81).

*Fifth Annual Report of the Louisiana Tax Commission, 1921* (Baton Rouge, pp. 293).

*Fourth Biennial Report of the Maryland Tax Commission, 1921* (Baltimore, 1922, pp. 88).

*Annual Report of the Commissioner of Corporations and Taxation of Massachusetts, 1921* (Boston, pp. 250).

*Fourteenth Annual Report on the Statistics of Municipal Finances for City and Town Fiscal Years Ending between November 30, 1919, and March 31, 1920* (Commissioner of Corporations and Taxation, Boston, 1921, pp. 307).

*Second Biennial Report of the Missouri State Tax Commission, 1919-1920* (Jefferson City, pp. 68).

*Eleventh Annual Report of the New Hampshire State Tax Commission, 1921* (Concord, pp. 195).

*Sixth Annual Report of the New Jersey State Board of Taxes and Assessment, for the Year Ending June 30, 1921* (Trenton, pp. 334). There has also been received a supplement to this report, entitled *Second Class Railroad Property* (Somerville, N. J., Unionist-Gazette Assoc. State Printers, pp. 482).

*Report of the Commissioners of Taxes and Assessments for the City of New York for the Year Ending March 31, 1922* (New York, pp. 59).

*Twelfth Annual Report of the Tax Commission of Ohio, 1921* (Columbus, 1922, pp. 233).

*Seventh Annual Report of the South Carolina Tax Commission, 1921* (Columbia, 1922, pp. 124).

*State of South Dakota Tax Laws and Court Decisions* (Pierre, pp. 213). Includes 1921 session laws.

*Annual Report of the South Dakota Tax Commission, 1921* (Pierre, pp. 111).

*Reports and Communications of the Finance Commission of the City of Boston, Volume XVII* (Boston, 1922, pp. 218).

*A Report to the Board of Commissioners of the City of St. Petersburg, Florida, Covering the Financial Conditions and Audit of Accounts for the Year Ending June 30, 1922*, made by Harvey S. Chase & Company, Certified Public Accountants, contains a brief discussion of serial bonds and a sinking fund.

## Insurance and Workmen's Compensation

*The Employees' Compensation Commission*, in the series of Service Monographs of the United States Government, no. 12, published by Appleton and Company for the Institute for Government Research, gives a history of federal compensation legislation, and an account of the organization and activities of the Commission.

*A Criticism of Bureaucratic Propaganda for State Insurance*, by P. Tecumseh Sherman (pp. 32) criticizes the article published in the *Monthly Labor Review* for December, 1920, entitled "Comparison of compensation insurance systems as to cost, service, and security," by Carl Hookstadt.

Mr. Hookstadt's data and conclusions are discussed in detail with references to contradictory authorities.

The following reports have been received:

*New York State Workmen's Compensation Law with Amendments, Additions and Annotations to August 1, 1922* (Industrial Commissioner, Albany, pp. 112).

*Fifth Report of the Oregon State Industrial Accident Commission for the Year Ending June 30, 1920* (Salem, 1922, pp. 16).

*Sixth Report of the Workmen's Compensation Department of Wyoming, for 1921* (Laramie, 1922, pp. 152).

*Report for 1921 of the Workmen's Compensation Board, Nova Scotia* (Halifax, 1922, pp. 33).

## Demography

The sixth annual report of the Bureau of the Census on *Birth Statistics, 1920*, has appeared (Washington, 1922, pp. 257). For this issue Nebraska is added to the birth registration area; this now includes 23 states and the District of Columbia, covering an estimated population of 63,659,441, or 59.8 per cent of the total estimated population.

The University of South Carolina is issuing a series of bulletins representing an economic and social survey of different counties in the state. The material is prepared by the Department of Rural Social Science. The following issues have so far been made: *Chesterfield County* (pp. 89); *Dillon County* (pp. 84); *Sumter County* (pp. 111).

Students of statistics will find in *Baroda State: Part 1, Report*, by S. Mukerjee (Census of India, 1921, Vol. XVII, Bombay, 1922, pp. 419, 22 shillings) more than an ordinary census compilation. With the statistics there is a large amount of textual comment relating to the movement of population, the normal rate of natural increase, the volume of migration, variation in age constitution, birthplace, religion, sex, literacy, occupation, and wages. Various statistical tests are applied with their interpretations, and the material is illustrated by significant charts and diagrams.